

Affordable Housing Preservation Reform

Preserving affordable housing is more important now than ever. The nation's foreclosure and credit crisis has pushed many families from homeownership to rental housing. As former homeowners enter the rental market, a surging number of renters are competing for a limited supply of affordable housing, exacerbating market pressures. The loss of affordable housing properties due to demolition, abandonment, or conversion to more expensive housing has reduced further the options available to low-income renters.

A recent report by HUD's Office of Policy Development and Research found that from 1995-2005, two rental units were permanently removed from supply for every three produced. Over this same period, the nation permanently lost 1.5 million low-cost rental units. From 2001 to 2007, the nation's affordable unassisted rental housing stock decreased by 6.3 percent—a loss of more than 1.2 million affordable rental homes.

Affordable housing typically can be preserved for about 60 percent of the cost of building a new affordable unit, and it is often infeasible to build new affordable units in the same locations where existing units are at risk of conversion to other uses. Preservation also reuses resources and has less of an environmental impact than demolition and new construction.

House Financial Services Committee Chairman Barney Frank (D-MA) drafted preservation legislation in 2009, but did not introduce it. His draft bill, the Housing Preservation and Tenant Protection Act, contains numerous measures to encourage the preservation of federally and state-financed affordable housing at risk of loss due to conversion to market-rate housing, deterioration, and foreclosure. Frank plans to introduce his bill during the 111th Congress.

At NCSHA's request, Frank's draft preservation bill includes a provision to eliminate the prohibition of Ginnie Mae securitization of HFA Risk-Sharing loans. This amendment would facilitate the sale of bonds to fund HFA loans necessary for the development and preservation of affordable housing. The draft bill also contains language proposed by NCSHA to offer the owners of state assisted or financed properties with maturing mortgages the option of accepting a project-based Section 8 Housing Assistance Payment (HAP) contract, to help preserve the affordable properties.

The draft bill also includes provisions to:

- Require project-based Section 8 contracts on state agency-financed properties to continue to the end of the original mortgage term, even if the mortgage is refinanced.
- Allow the rent for units assisted by both Section 8 and Housing Credits to be established at the higher Section 8 rent.
- Allow a property owner with a Section 8 project-based contract that has debt financing from a state or local agency to terminate the contract and enter into a new project-based contract for a 20-year term, subject to the approval of the state or local housing agency.
- Enable HUD to transfer project-based assistance, debt, and low-income use restrictions associated with a multifamily housing project to another project located in the same metropolitan area.